

## Message Text

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16

ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 ARA-10 AID-05 CEA-01 CIAE-00

COME-00 EB-07 FRB-01 INR-07 IO-13 NEA-10 NSAE-00

USIA-15 OPIC-06 SP-02 TRSE-00 CIEP-02 LAB-04 SIL-01

OMB-01 DODE-00 DOTE-00 FMC-02 SAL-01 CG-00 DLOS-06

OES-06 /122 W

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R 021242Z JUL 76

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC 7309

INFO OECD PARIS

AMEMBASSY PARIS

AMEMBASSY LONDON

AMEMBASSY DUBLIN

AMEMBASSY COPENHAGEN

AMEMBASSY STOCKHOLM

AMEMBASSY HELSINKI

AMEMBASSY BONN

AMEMBASSY ROME

AMEMBASSY OTTAWA

AMEMBASSY ATHENS

AMEMBASSY TOKYO

AMEMBASSY OSLO

AMEMBASSY MADRID

AMEMBASSY LISBON

AMEMBASSY THE HAGUE

UNCLAS BRUSSELS 06558

E.O. 11652: N/A

TAGS: EWWT OECD

SUBJECT: SUMMARY OF OECD WORKING PARTY NO. 6 ON SHIPBUILDING  
MEETING OF JUNE 29, 1976

1) SHIPBUILDING SUPPLY AND DEMAND; THE SUBGROUP ON SUPPLY AND  
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DEMAND REPORTED THAT DESPITE AN ANTICIPATED INCREASE IN WORLD

OIL CONSUMPTION AND AN ECONOMIC UPTREND THE TANKER MARKET WILL REMAIN HEAVILY OVERTONNAGED AND THE DRY BULK MARKET WILL ALSO STEADILY DECLINE. CANCELLATIONS WORLDWIDE NOW TOTAL ABOUT 18 MONTHS PRODUCTION, WITH NEW ORDERS BEING PLACED AT THE RATE OF 10 MILLION DWT ANNUALLY; ONLY JAPAN HAS NEW ORDERS EQUAL TO CAPACITY.

2) REDUCTION OF PRODUCTIVE CAPACITY: GUIDELINES FOR GOVERNMENTS TO FOLLOW TO REDUCE SHIPBUILDING CAPACITY FORMULATED AT LAST WORKING PARTY 6 MEETING WERE FORMALLY APPROVED BY THE OECD COUNCIL IN MAY 4; THE ONLY ABSTENTION BEING GREECE. THE JAPANESE REPORTED ON THE RESULTS OF THEIR STUDY ON THEIR SHIPBUILDING INDUSTRY BY 1980 WHICH FORECASTS A DECREASE OF 35 PERCENT IN DEMAND OVER 1974 AND RECOMMENDS ADJUSTMENT OF PRODUCTIVE CAPACITY THROUGH A CUT IN EMPLOYMENT AND TRANSITION INTO OTHER AREAS OF ACTIVITY BY MEDIUM AND SMALL -SIZED SHIPYARDS. THE E.E. C DELEGATE REPORTED ON THE E.E.C.RECOMMENDATIONS TO ITS COUNCIL REGARDING SHIPBUILDING (SEE BRUSSELS USEC AIRGRAM A-284) BUT STRESSED THIS DOCUMENT WAS ONLY A PROPOSAL REQUIRING E.E.C. COUNCIL APPROVAL BEFORE OECD COULD CONSIDER THE IMPLICATIONS. THE FRENCH DELEGATION BRUSHED ASIDE DISCUSSION OF THE E.E C. POSITION AND SARCASTICALLY ATTACKED THE JAPANESE STAND AS HYPOCRITICAL,POINTING OUT CONTRADICTIONS BETWEEN FACTS INDICATING A RECENT NET INCREASE IN JAPANESE CAPACITY AND THEIR SUPPOSED ADHERENCE TO THE OECD GUIDELINES. IT WAS NOTED THAT REDUCTIONS IN EMPLOYMENT DO NOT NECESSARILY REDUCE CAPACITY AND THAT THE JAPANESE MUST ACT TO REDUCE CAPACITY NOW,NOT IN 1980, BY CLOSING DOWN SHIPYARDS. THE QUESTION OF JAPANESE PRICE CUTTING WAS ALSO RAISED AND THE JAPANESE DELEGATE INADVERTENTLY ADMITTED DUMPING WHEN HE SAID THE JAPANESE GOVERNMENT INSISTED THAT PRICES COVER FULL COSTS AND HAD RECENTLY FORCED RENEGOTIATION OF SEVERAL CONTRACTS ON THAT BASIS.THE JAPANESE AGREED ON THE AMBIGUITY OF THE RECOMMENDATIONS OF THEIR SHIPBUILDING STUDY,BUT INSISTED THAT THE JAPANESE GOVERNMENT WOULD TAKE VERY SPECIFIC MEASURES TO REDUCE CAPACITY IN THE SHORT AS WELL AS LONG TERM. THERE WAS NO APOLOGY,HOWEVER,BY THE JAPANESE FOR THE RETENTION OF THEIR PRESENTLY HIGH SHARE OF THE WORLD MARKET AS THEIR STATISTICAL FORECASTS APPEAR TO IMPLY.

3) REMOVAL OF OBSTACLES OF COMPETITION: THE BRITISH EXPLAINED THEIR UNCLASSIFIED

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EXTENSION OF INFLATION INSURANCE TO ORDERS FROM BRITISH SHIPOWNERS AIDED THEIR INTENTION TO ISSUE PERFORMANCE BONDS ON BEHALF OF YARDS WHOSE FINANCIAL FUTURE MIGHT BE DOUBTED BY POTENTIAL CUSTOMERS. THESE ISSUES,HOWEVER ARE ACADEMIC SINCE BRITISH YARDS HAVE NOT YET RECEIVED ANY ORDERS UNDER THESE NEW PROMOTIONAL SCHEMES. THE MATTER OF COST ESCALATION INSURANCE SCHEMES IN GENERAL WAS DISCUSSED WITH CRITICISM OF THE FRENCH FOR NOT FULLY DISCLOSING THE FINANCIAL IMPACT OF THEIR INFLATION INSURANCE DESPITE AN

ATTEMPT BY THOSE COUNTRIES WHO OFFER THEIR SHIPBUILDERS INFLATION  
INSURANCE TO SHELVE  
FURTHER DISCUSSION, THIS ITEM WILL BE CONTINUED ON THE AGENDA  
AT THE NEXT SESSION.

4) A DISCUSSION ON THE UNDERSTANDING ON EXPORT CREDITS RELATING  
TO SHIP SALES TO DEVELOPING COUNTRIES TOOK PLACE, WITH SOME  
DELEGATIONS WANTING TO REFINER THE CLAUSE SIX DEVELOPMENT AID  
ASPECTS OF SUCH SALES AND OTHER DELEGATES REQUESTING AN EXTENSION  
OF THE NOTIFICATION REQUIREMENTS THEREIN TO SIX WEEKS. THE  
DISCUSSION IS TO BE CONTINUED AT THE NEXT SESSION OF THE WORKING  
PARTY.

5) PARTICIPATION OF NON-MEMBER COUNTRIES IN WORKING PARTY 6  
AGREEMENTS: WHILE U.S. PARTICIPATION WAS BRIEFLY MENTIONED AS  
A "LOST CAUSE", THE WORKING PARTY DISCUSSED THE POSSIBILITY OF  
APPROACHING NON-MEMBER SHIPBUILDING COUNTRIES SUCH AS BRAZIL AND  
SOUTH KOREA TO ENCOURAGE THEIR COOPERATION UNDER WP. 6 PRINCIPLES,  
BUT NO CONCLUSION WAS REACHED AS TO WHETHER THIS SHOULD BE ATTEMPTED  
OR HOW.

6) THE ISSUE OF COOPERATION WITH THE INTERNATIONAL MARITIME  
INDUSTRY FORUM, THE INTERTANKO OFFSHOOT RECOMMENDING AMELIORATION  
OF THE TANKER CRISIS THROUGH FORCED SCRAPPING, DOUBLE BOTTOMS,  
USE OF TANKERS AS STORAGE FACILITIES, ETC., WAS DISCUSSED AND  
IT WAS CONCLUDED THAT ANY OECD COOPERATION WITH THIS GROUP SHOULD BE  
ACCOMPLISHED VIA THE MARITIME TRANSPORT COMMITTEE, NOT W.P. 6.  
THE NEXT MEETING OF THE WORKING PARTY WILL BE OCTOBER 27-28.  
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